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FIRST GENERAL COUNSEL'S REPORT

CELA

MUR: 6848

DATE COMPLAINT FILED: June 25, 2014

DATE OF NOTIFICATION: July 2, 2014

LAST RESPONSE RECEIVED: August 25, 2014

DATE ACTIVATED: November 5, 2014

ELECTION CYCLE: 2014

EXPIRATION OF SOL:

September 27, 2018 (earliest)

July 15, 2019 (latest)

COMPLAINANT:

Jesus A. Garcia, Chairman

Brookhaven Town Republican Committee

RESPONDENTS:

George Demos

Friends of George Demos and Robert Cole in his

official capacity as treasurer

Angelo Tsakopoulos

AKT Development Corporation

**RELEVANT STATUTES AND
REGULATIONS:**

52 U.S.C. § 30101(26)¹

52 U.S.C. § 30104(b)

52 U.S.C. § 30116(a)(1)(A)

52 U.S.C. § 30116(f)

52 U.S.C. § 30118

11 C.F.R. § 100.33

11 C.F.R. § 110.10

INTERNAL REPORTS CHECKED:

FEC Disclosure Reports

OTHER AGENCIES CHECKED:

Office of the Clerk, U.S. House of

Representatives Financial Disclosure Statement

¹ On September 1, 2014, the Federal Election Campaign Act of 1971, as amended, (the "Act") was transferred from Title 2 to new Title 52 of the United States Code.

I. INTRODUCTION

This matter concerns allegations that House candidate George Demos had insufficient personal assets to fund \$2 million in loans that he reported making to his campaign committee, Friends of George Demos ("Committee"), during the 2014 election cycle. The Complainant alleges that Demos obtained the funds for the loans from his father-in-law, Angelo Tsakopoulos, who is a real estate developer and an experienced political campaign contributor. The Complaint relies significantly on a December 2013 meeting between the Complainant and Demos during which Demos purportedly acknowledged the contribution from Tsakopoulos. The Complaint also alleges that the funds may have come from Tsakopoulos's business, AKT Development Corporation ("AKT"). The Respondents deny the allegations and explain that the funds came from joint bank accounts that Demos held with his wife, Chrysanthy Tsakopoulos Demos, Tsakopoulos's daughter, but they do not provide details regarding the source of the funds in those accounts.

The available information supports a reasonable inference that the money Demos used to fund the loans to his Committee may not have come from his personal funds. Thus, we recommend that the Commission find reason to believe that Demos and the Committee accepted and failed to disclose, excessive contributions. For the same reason, we also recommend that the Commission find reason to believe that Tsakopoulos made excessive contributions to the Demos campaign. We further recommend that the Commission investigate the source of the funds used for all the loans Demos made to his Committee during the 2014 cycle, which totalled \$2.5 million. Based on the limited available information about AKT, we recommend that the

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Commission take no action at this time as to it. We will make appropriate recommendations about AKT once we have sufficient information.²

II. FACTUAL AND LEGAL ANALYSIS

A. Factual Background

George Demos was a candidate for the U.S. House of Representatives in the 2014 Republican primary election for New York's 1st Congressional District. The Commission received his Statement of Candidacy on September 26, 2013. He lost the June 24, 2014, primary with 38.7% of the vote.³ Demos also ran for the same House seat in 2010 and 2012. He lost the 2010 primary and withdrew from the 2012 primary one month before the election.⁴ From 2002 through 2009, Demos worked as an Enforcement Attorney for the Securities and Exchange Commission ("SEC").⁵

Demos filed Financial Disclosure Statements with the Office of the Clerk of the U.S. House of Representatives ("Financial Statements") for both the 2012 and 2014 elections. In 2012, Demos's largest reported asset was valued between \$100,001 and \$250,000, and he valued

² Although the Complaint did not make allegations against Chrysanthi Demos, it may be appropriate to notify her as a respondent in the future if there is information that she may have made an impermissible contribution.

³ See NYS Board of Elections Representative in Congress Election Returns June 24, 2014, <http://www.elections.ny.gov/NYSBOE/elections/2014/Primary/2014FederalPrimaryResults.pdf>; http://ballotpedia.org/George_Demos.

⁴ See http://ballotpedia.org/New_York%27s_1st_Congressional_District_elections_2012. According to press reports, Demos married Chrysanthi Tsakopoulos in 2012 and withdrew from the election in order to focus on his impending wedding. Rachel Shapiro, *Lee Zeldin Wins Republican Primary in 1st Congressional District*, TIMES BEACON RECORD (June 24, 2014), available at <http://www.northshoreoflongisland.com/Articles-News-i-2014-06-19-99795.112114-sub-Lee-Zeldin-wins-Republican-primary-in-1st-Congressional-District.html>.

⁵ See Committee Resp. at 2; *Meet George Demos: A Biography*, GEORGE DEMOS FOR CONGRESS WEBSITE, http://www.georgedemosforcongress.com/refresh/templates/meet_george.php?id=5.

1 each of his other assets at \$50,000 or less.⁶ The Financial Statements he filed for the 2014
2 election list two bank accounts, held jointly with his wife, each valued between \$1,000,001 and
3 \$5,000,000.⁷ The statements indicate that the remaining high-value assets listed belonged to his
4 wife individually.⁸ Demos listed no employment or earned income for himself on the Financial
5 Statements he filed for either the 2012 or 2014 election cycles.⁹

6 The Committee disclosed four candidate loans during the 2014 election cycle: a
7 \$1,000,000 loan made on September 27, 2013, a \$1,000,000 loan made on December 30, 2013,
8 and two \$250,000 loans made on June 23, 2014, the day before the primary. The Committee
9 disclosed the loans on its 2013 October Quarterly, 2013 Year-End, and 2014 July Quarterly
10 reports, respectively.¹⁰

11 At issue is the source of the funds Demos loaned to the Committee.¹¹ The Complaint
12 alleges that Tsakopoulos and his company, AKT, were the true sources of the loans to the

⁶ George Demos, 2012 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2012/8209315.pdf.

⁷ George Demos, 2013 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2013/8213601.pdf; George Demos, 2014 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2014/8216007.pdf.

⁸ *Id.*

⁹ The Financial Statements that Demos filed in December 2013 and July 2014 list income for his spouse in the amounts of \$24,000 and \$11,500, respectively. The income is shown as salary from AKT. *See* George Demos, 2013 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2013/8213601.pdf; George Demos, 2014 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2014/8216007.pdf.

¹⁰ *See* Committee, 2013 October Quarterly Report, <http://docquery.fec.gov/pdf/633/13941680633/13941680633.pdf#navpanes=0>; Committee, 2013 Year-End Report, <http://docquery.fec.gov/pdf/246/14960886246/14960886246.pdf#navpanes=0>; Committee, 2014 July Quarterly Report, <http://docquery.fec.gov/pdf/602/14952617602/14952617602.pdf#navpanes=0>.

¹¹ The Complaint only questions the two \$1 million loans, presumably because Demos made the two \$250,000 loans after the Complaint's filing.

1 Committee and consequently, Demos and the Committee received excessive contributions from
2 Tsakopoulos and possibly a prohibited corporate contribution from AKT.¹²

3 Tsakopoulos is a real estate developer in California and frequent contributor to both
4 federal and state political campaigns.¹³ According to the Commission's records, Tsakopoulos
5 has contributed \$489,283 to federal political committees, made \$40,150 in joint fundraising
6 contributions, and provided \$1,564,800 in non-federal receipts "exempt from limits" (*i.e.*, soft
7 money).¹⁴ He is also the registered agent for AKT, a California corporation.¹⁵

8 The Complaint primarily relies on a description of a meeting between the Complainant
9 and Demos on December 14, 2013, during which Demos allegedly stated that (1) he was
10 "bringing a substantial sum of money to his campaign through his father-in-law;"
11 (2) Tsakopoulos "had committed to give him a total of \$2,000,000 to wage a primary election for
12 the Congressional seat and that he would show that money in his FEC report;" and (3) his father
13 in-law would give additional money for the general election.¹⁶ The Complainant, who is the
14 Chairman of the Brookhaven Town Republican Committee, states that he attended the meeting
15 along with Betty Manzella, his Vice Chair, and he personally heard Demos make these

¹² Compl. at 1-2.

¹³ See *The Rainmaker: California's Top Political Donors, 2001-2011*, CALIFORNIA WATCH,
<http://rainmaker.apps.cironline.org/donors/angelo-k-tsakopoulos/>.

¹⁴ See FEC, Individual Contributor Search Form, <http://www.fec.gov/finance/disclosure/norindsea.shtml>. An additional \$7,000 in contributions to political committees also appears in the Commission database under an alternate spelling of his last name.

¹⁵ See *Business Entity Detail: AKT Development Corporation*, CALIFORNIA SECRETARY OF STATE,
<http://kepler.sos.ca.gov/>. The Complaint implies AKT was involved because Demos mailed the Committee's Statement of Organization from AKT's business offices in California. See Compl. at 1; Committee Statement of Organization, <http://docquery.fec.gov/pdf/504/13031120504/13031120504.pdf> (showing return address on UPS mailing envelope to be the same as AKT's offices).

¹⁶ Compl. at 2.

1 statements.¹⁷ The Complaint also relies on Demos's purported lack of income; it alleges that
2 Demos was unemployed when he became a candidate, and his last full-time employment was as
3 an attorney for the SEC in 2009.¹⁸ The Complaint also cites to a number of news articles
4 reporting that Demos's father-in-law was the actual source of the \$2,000,000.¹⁹

5 The Respondents deny the allegations and argue that the Complaint is speculative, the
6 Complainant is ignorant of Demos's employment history since he left the SEC, and the
7 Complaint relies on unsourced press articles. Respondents also dispute the Complainant's
8 recollection of his meeting with Demos six months earlier.²⁰ The Response highlights one of the
9 articles attached to the Complaint, which quotes Demos as stating that the money was his: "[m]y
10 wife and I have assets, my campaign is funded with our own money."²¹ The Response questions
11 the Complainant's "hazy recollection" of the December 2013 meeting with Demos, calling it
12 "muddled and wrong," but it does not present a different version of what happened at the
13 meeting.²² Demos and the Committee further claim that the Complaint was politically motivated
14 because it was mailed shortly before the June 2014 primary.²³

15 In the Response, and in a declaration signed by Demos, Respondents state that the funds
16 were not from Demos's father in-law, but rather from assets that Demos "owned with [his] wife

¹⁷ *Id.*

¹⁸ *Id.* at 1.

¹⁹ *Id.* at 2 and Attach.

²⁰ Committee Resp. at 2-4.

²¹ *Id.* at 3.

²² *Id.* at 4-5.

²³ *Id.* at 4. It appears that on June 23, 2014, the Complainant issued a press release about the Complaint, which the local press reported, sent a letter to members of the local Republican Party committee, and posted a message on the Brookhaven Town Republican Committee Facebook page. *Id.* at Exs. 1-4.

1 before declaring [himself] a candidate and were not gifts, loans or donations to [Demos] by Mr.
2 Angelo Tsakopoulos.”²⁴ The Response further states that the “funds [were] derived from Mrs.
3 Demos’[s] investment assets.”²⁵ The Response does not state whether Demos’s wife received
4 any funds from her father during the campaign period. The Respondents also question the
5 ongoing viability of restrictions on family gifts.²⁶

6 In a separate response, Tsakopoulos and AKT also deny the allegations. First, they state
7 that the Complaint alleges no violation of the Act by AKT.²⁷ The only apparent allegation as to
8 AKT is that Demos’s Statement of Candidacy and the Committee’s Statement of Organization
9 were mailed from AKT’s offices.²⁸ Second, the Response indicates that the Complaint was not
10 based on personal knowledge.²⁹ Tsakopoulos also submitted a declaration stating that he
11 contributed \$2,600 to the Committee for both the primary and general elections and denying that
12 he gave additional funds to Demos’s campaign.³⁰ The declaration states that “I made no
13 additional contributions to Friends of George Demos, nor did I make a gift, loan or donation to
14 George Demos personally for the purpose of supporting the Demos campaign.”³¹ Neither the
15 Response nor the declaration state whether Tsakopoulos may have given his daughter money
16 during the campaign period.

²⁴ Demos Decl. ¶ 6.

²⁵ Committee Resp. at 5.

²⁶ *Id.* at 5 n.2

²⁷ AKT/Tsakopoulos Resp. at 2.

²⁸ *Id.*

²⁹ *Id.*

³⁰ Tsakopoulos Decl. ¶¶ 2-3.

³¹ *Id.* ¶ 3.

B. Legal Analysis

Federal candidates may make unlimited contributions from their own "personal funds" to their authorized campaign committees.³² The Act and Commission regulations provide that "personal funds" are (a) amounts derived from assets that, under applicable State law, at the time the individual became a candidate, the candidate had legal right of access to or control over, and to which the candidate had legal and rightful title or an equitable interest; and (b) income received during the current election cycle, which includes salary from employment, income from investments, and "gifts of a personal nature that had been customarily received by the candidate prior to the beginning of the election cycle."³³ When a candidate uses "personal funds" derived from jointly owned assets, the amount is limited to "the candidate's share of the asset under the instrument of conveyance or ownership;" if the instrument is silent, the Commission will presume that the candidate holds a one-half ownership interest.³⁴

During the 2014 election cycle, the Act prohibited any person from making contributions to any candidate and the candidate's authorized political committee with respect to any election for Federal office which, in the aggregate, exceeded \$2,600.³⁵ Contribution limits also apply to a

³² 11 C.F.R. § 110.10; *see also Buckley v. Valeo*, 424 U.S. 1, 54 (1976) (holding restrictions on candidate's expenditures from personal funds unconstitutional).

³³ 52 U.S.C. § 30101(26) (formerly 2 U.S.C. § 431(26)); 11 C.F.R. § 100.33(a), (b). The Commission promulgated section 100.33 in 2003 as the implementing regulation to 2 U.S.C. § 431(26), which set forth a new statutory definition of personal funds as part of the Bipartisan Campaign Reform Act of 2002. Section 100.33 replaced former 11 C.F.R. § 110.10(b). The definition of personal funds largely remained the same, including the provision concerning joint assets, but they differ in other respects. For example, while former section 110.10(b) provided that personal funds included gifts customarily received prior to candidacy, the new statutory provision provided that personal funds included gifts customarily received prior to the election cycle.

³⁴ 52 U.S.C. § 30101(26)(c); 11 C.F.R. § 100.33(c).

³⁵ 52 U.S.C. § 30116(a)(1)(A) (formerly 2 U.S.C. § 441(a)(1)(A)).

1 candidate's family members.³⁶ In addition, the Act prohibits any candidate or political
2 committee from knowingly accepting any contribution or making any expenditure in violation of
3 the provisions of section 30116 (formerly section 441a).³⁷ A contribution is any gift,
4 subscription, loan, advance, or deposit of money or anything of value made by any person for the
5 purpose of influencing any election for Federal office.³⁸ Corporations are prohibited from
6 making a contribution in connection with any federal election.³⁹

7 All contributions made by persons other than political committees must be reported in
8 accordance with 52 U.S.C. § 30104(b)(2)(A) (formerly 2 U.S.C. § 434(b)(2)(A)). Political
9 committees must report the identification of each person who makes a contribution or
10 contributions with an aggregate value in excess of \$200 during the reporting period, together
11 with the date and amount.⁴⁰

12 The facts in the sworn Complaint, coupled with Demos's financial disclosures and other
13 documents before the Commission, support a reasonable inference that the money Demos loaned
14 his Committee may not have come from his personal funds. Complainant gives a specific
15 account of a meeting he personally attended at which Demos purportedly acknowledged that his

³⁶ Although Respondents raise questions over the validity of restrictions on family contributions, the Supreme Court has upheld their constitutionality. See *Buckley*, 424 U.S. at 51 n.57, 53 n.59 (upholding the constitutionality of contribution limits as to family members, reasoning that, "[a]lthough the risk of improper influence is somewhat diminished in the case of large contributions from immediate family members, we cannot say that the danger is sufficiently reduced to bar Congress from subjecting family members to the same limitations as nonfamily contributors.").

³⁷ 52 U.S.C. § 30116(f) (formerly 2 U.S.C. § 441a(f)).

³⁸ *Id.* § 30101(8)(A)(i) (formerly 2 U.S.C. § 431(8)(A)(i)).

³⁹ *Id.* § 30118 (formerly 2 U.S.C. § 441b(a)).

⁴⁰ *Id.* § 30104(b)(3)(A) (formerly 2 U.S.C. § 434(b)(3)(A)).

1 father-in-law was providing him with \$2 million for his campaign.⁴¹ If this account is true, then
2 it would appear that the amounts are not gifts customarily given, but were excessive
3 contributions to Demos to be used in his campaign. The Responses challenge Complainant's
4 recollection of the December 2013 meeting, but they do not present an alternate version of
5 events.

6 Further, the sworn declarations submitted by Demos and Tsakopoulos generally denying
7 that Tsakopoulos gave Demos or the Committee more than \$5,200 are not dispositive. Demos
8 states that the loans came from assets he owned with his wife before he became a candidate and
9 he received no "gifts, loans or donations" from Tsakopoulos, and Tsakopoulos states that he did
10 not make a "gift, loan, or donation to *George Demos personally* for the purpose of supporting the
11 Demos campaign."⁴² These declarations, however, do not rule out another possible scenario:
12 Tsakopoulos gave his daughter money to be used for her husband's campaign. Similarly,
13 Demos's general statements quoted in the media that the money belonged either to him, or to
14 him and his wife, do not persuasively rebut the Complaint's allegations.⁴³ And, we do not have
15 any information concerning any pattern of gift-giving at this stage.⁴⁴

⁴¹ Compl. at 2.

⁴² Demos Decl. ¶ 6; Tsakopoulos Decl. ¶ 3 (*emphasis added*).

⁴³ See Compl., Attach. The Commission has found no reason to believe concerning allegations that a candidate lacked sufficient personal funds to make loans to his or her campaign committee where there was information, such as in the form of affidavits or financial documentation, demonstrating that the candidate personally had access to sufficient assets to make the loans at issue. See *e.g.*, MUR 6523 (Wilford R. Cardon, *et al.*), MUR 6412 (Blumenthal for Senate), MUR 6388 (Mattie Fein for Congress), MUR 6341 (Adams for Congress).

⁴⁴ In cases involving gifts from family members, the Commission has examined whether the money was given as part of an established pattern of gift-giving, or whether the gift was made for the purpose of influencing an election. See, *e.g.*, MUR 6417 (Jim Huffman for Senate), MURs 6363/6440 (Friends of Frank Guinta) (open matter), MUR 5724 (Jim Feldkamp for Congress), and MUR 5571 (Tananoka for Congress). Here, there is no available information at this stage to determine whether Tsakopoulos gave his daughter any gifts during the 2014 election cycle or whether there was an established pattern of gift-giving between Tsakopoulos and his daughter.

1 Demos's Financial Disclosure Statements for the 2014 election cycle also do not resolve
2 the material issues. The statements disclose no employment or earned income for Demos. They
3 do show two joint bank accounts from which Demos could have funded the loans. Each account
4 had a value between \$1,000,001 and \$5,000,000, but this range is so wide that we cannot
5 ascertain what portion of those funds may possibly have belonged to Demos and what amounts
6 may have been available to him. For instance, if each account contained balances on the lower
7 end of the range—\$1,000,001 in each, for example—Demos's portion (*i.e.*, half of each account)
8 would not have been sufficient to fund the \$2.5 million in loans that he made to his campaign.
9 The remaining significant assets disclosed on Demos's financial disclosure statements appear to
10 be stocks and investments his wife owned individually.

11 The Respondents appear to take the position that Demos was entitled to use the funds in
12 the accounts he owned jointly with his wife, but the fact that Demos's bank account balances
13 significantly increased between the 2012 and 2014 election cycles raises the question whether his
14 wife deposited funds into their joint accounts before or after Demos became a candidate. The
15 Commission has rejected the view that all funds deposited into a jointly held account after a
16 candidate declares his candidacy become the candidate's personal funds. In MUR 6417 (Jim
17 Huffman for Senate), the candidate's wife wired funds from her own trust account to a joint
18 account that she held in common with him specifically so that he could use those funds to make
19 four loans totalling \$900,000 to his committee.⁴⁵ The Commission concluded that those funds

⁴⁵ F&LA at 3-4, MUR 6417 (Jim Huffman for Senate). A fifth loan in the amount of \$400,000 was funded through the same solely held trust account of the candidate's spouse, but was wired from that account directly to the candidate's committee, while a sixth loan originated from the couple's home equity line of credit. *Id.*

1 did not qualify as "personal funds" under section 100.33, thus, Huffman's wife made an
2 excessive contribution that Huffman and his committee in turn accepted.⁴⁶

3 In summary, the Complainant's statement that Demos told him that Demos would receive
4 \$2 million through his father-in-law for his campaign, the careful wording of Respondents'
5 sworn declarations, Demos's somewhat limited personal assets, and his apparent lack of
6 employment or earned income, support a reasonable inference that the money Demos lent his
7 campaign may not have come from his personal funds. We believe the Commission should
8 investigate to identify the source of these funds.

9 Accordingly, we recommend that the Commission find reason to believe that George
10 Demos violated 52 U.S.C. § 30116(f) (formerly 2 U.S.C. § 441a(f)), the Committee violated
11 52 U.S.C. §§ 30104(b) and 30116(f) (formerly 2 U.S.C. §§ 434(b) and 441a(f)), and Angelo
12 Tsakopoulos violated 52 U.S.C. § 30116(a)(1)(A) (formerly 2 U.S.C. § 441a(a)(1)(A)). We also
13 recommend that the Commission take no action at this time with regard to AKT.

⁴⁶ *Id.* at 6.

III. INVESTIGATION


We propose to investigate the source of the funds that Demos used to make \$2.5 million in candidate loans to his campaign. The investigation will include interviewing the Complainant and Demos about the December 2013 meeting. We will also interview Barbara Manzella, who Complainant says was present. We also plan to seek information from Tsakopoulos and his daughter regarding any gifts or loans that he made to her during the 2014 election cycle to determine whether the timing of any such transfers suggests the purpose of the transfers may have been to fund Demos's campaign. We plan to proceed informally with the witnesses at first, but may need to use compulsory process if the witnesses or the Respondents are not cooperative.

IV. RECOMMENDATIONS

1. Find reason to believe that George Demos violated 52 U.S.C. § 30116(f) (formerly 2 U.S.C. § 441a(f)).
2. Find reason to believe that Friends of George Demos and Robert Cole in his official capacity as treasurer, violated 52 U.S.C. §§ 30104(b) and 30116(f) (formerly 2 U.S.C. §§ 434(b) and 441a(f)).
3. Find reason to believe that Angelo Tsakopoulos violated 52 U.S.C. § 30116(a)(1)(A) (formerly 2 U.S.C. § 441a(a)(1)(A)).
4. Take no action at this time as to AKT Development Corporation.
5. Approve the attached Factual and Legal Analyses.
6. Authorize the use of compulsory process.

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BY: Stephen Gura
Stephen Gura
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Ana J. Peña-Wallace
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